Governing Body

28 September 2016

Details	Part 1	✓	Part 2		Agenda Item No.	**13a**
Title of Paper:	Finance Report Month 5					
Board Member:	M Woodhead					
Author:	Finance Team					
Presenter:	S North					
Please indicate:	For Decision		For Information		For Discussion	**x**

Executive Summary

Summary	
	1. The CCG is showing a year-to-date adverse variance to plan of £0.76m – a slight improvement on month 4 (£0.82m). As reported previously, the adverse variance to plan is primarily due to non-achievement versus our unidentified QIPP target. We have identified some realistic mitigations that mean we are still forecasting to achieve our 1% surplus for the year. 2. The net risk is maintained at £nil at month 5. 3. The main risks to achieving our forecast outturn are: o Potential under-achievement of QIPP (circa £4.0m) o Double jeopardy rules / re-admission penalties (circa £0.5m) 4. We are confident that we have sufficient mitigations available to us to manage these risks, including: o Contingency (£1.4m) o Delayed transitional payments and other non-recurrent measures (£1.2m) o Delayed investments (£0.4m) o GM risk share (£0.3m) o Other, including additional Quality Premium Payment, contract and budget underspends (£1.1m) 5. Part of our mitigation strategy will, of course, be to try to maximise QIPP achievement. If we are able to do that sufficiently, the CCG will: o Avoid unnecessary delays to investments o Avoid delays to transitional payments 6. Discussions to agree a way to progress to secure additional funding into the economy and the associated risks are on-going (see separate agenda item).

Risk	**High**		**Medium**	**X**	**Low**	
	As identified in section 1.2					
Recommendations	Governing Body is asked to note the contents of the report and the risks identified to the delivery of the 2016/17 financial position.					

To deliver improved outcomes and reduce health inequalities for patients through better preventative strategies			x
To deliver service re-design in priority areas through innovation			x
To develop primary care to become excellent and high performing commissioners			x
To develop the CCG leadership to work with the Local Authority to be excellent integrated commissioners			x
To develop robust and effective working relationships will all stakeholders and partners to drive integrated commissioning			x
To deliver long term financial sustainability through effective commissioning and innovative investment across the wider system			x
To develop and influence the provider landscape through development of a Locality Care Organisation (LCO)			x
Equality Impact Assessed?		Supports NHS Bury CCG Governance arrangements	X

1. Overview

1.1. Financial Performance

The CCG is showing a year to date (YTD) surplus of £0.3m which is an adverse variance of £0.76m against plan (see table 1 below). This is predominantly due to non-delivery of the £5.5m Quality, Innovation, Productivity and Prevention (QIPP) target. A number of pipeline QIPP schemes and financial mitigations have been identified to support the reported forecast delivery of the planned 1% surplus for 2016/17.

Table 1: Summary Position - Financial performance for the period ending 31st August 2016

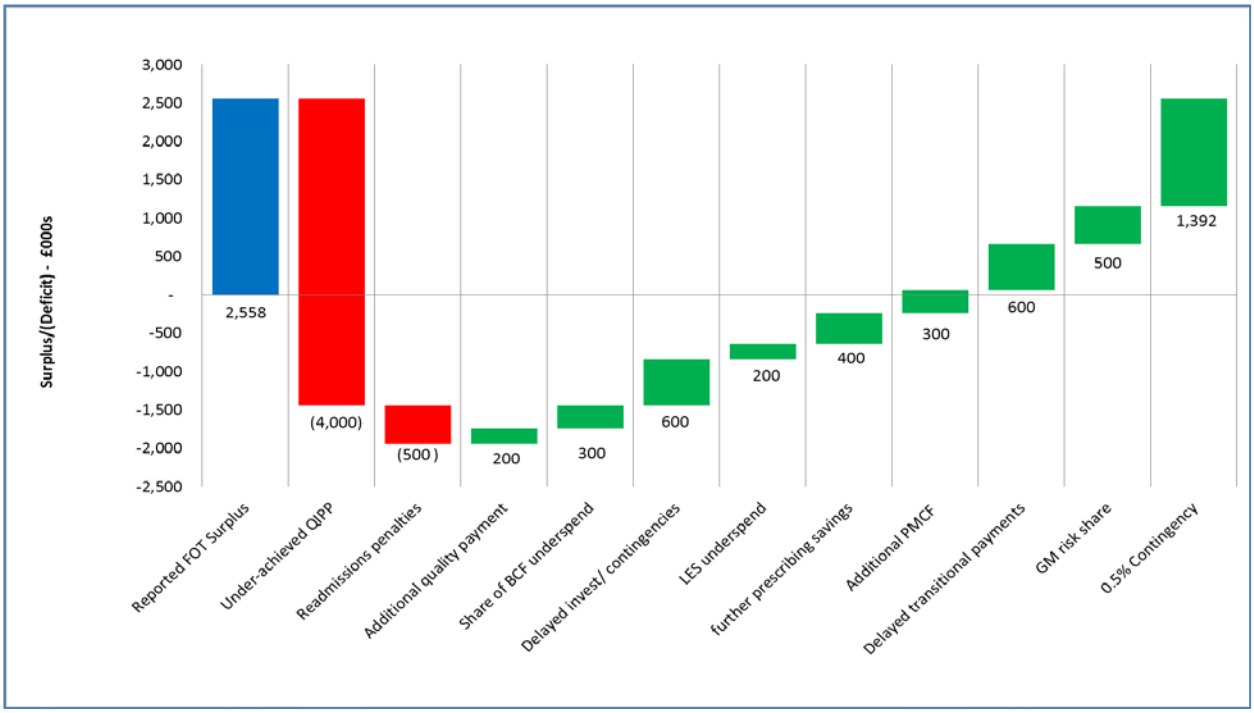
	£000s	£000s	£000s	£000s	£000s	£000s
Allocation	(112,874)	(112,874)	-	(277,918)	(277,918)	-
Programme						
Acute	56,266	56,380	113	135,331	135,674	343
CHC	4,647	4,632	(14)	11,399	11,424	25
Community	10,577	10,589	12	25,408	25,399	(9)
Mental Health	10,305	10,408	102	25,032	25,117	85
Other	3,440	3,563	123	8,245	8,415	170
Primary	25,858	25,341	(517)	61,775	61,129	(646)
Unallocated QIPP	(1,431)	-	1,431	(3,435)	(3,435)	-
Total Programme	**109,662**	**110,912**	**1,250**	**263,754**	**263,721**	**(33)**
Running costs	1,657	1,657	-	4,189	4,189	-
Total Expenditure	**111,319**	**112,569**	**1,250**	**267,943**	**267,910**	**(33)**
Reserves	489	-	(489)	7,418	7,450	33
(Surplus)/Deficit	**(1,066)**	**(304)**	**762**	**(2,558)**	**(2,558)**	**0**

1.2. Financial Risk

The CCG is required to assess and report financial risk and mitigations to NHS England (NHSE) on a monthly basis. A summary of this reported assessment is outlined in figure 1 below. The potential pressure relating to the transfer of primary care budgets (£583k) has not been included within figure 1 below. Following agreement at the CFO meeting on 20th September 2016 (following the Finance Committee) the non-recurrent funding to support this pressure has been confirmed at £510k, leaving a residual pressure of £73k. There has been confirmation that a 1% non-recurrent reserve is not required to be held for primary medical services and work is on-going to identify further mitigations.

Until the allocation for primary medical services for 2017/18 is released, the impact, if any, on the 2017/18 baseline is unknown.

Figure 1: Reported risks and mitigations to the forecast planned surplus (1%)



1.3. Quality, Innovation, Productivity and Prevention (QIPP)

At month 5 a significant level of the QIPP target remains unidentified or high risk (see figure 2 and 3 below). Recognising that the majority of QIPP delivery is reliant on provider action it is critical that schemes are identified rapidly to ensure that necessary contractual changes can be enacted as the minimum notice period for the CCGs main providers is 6 months.

Figure 2: QIPP target financial delivery at month 5

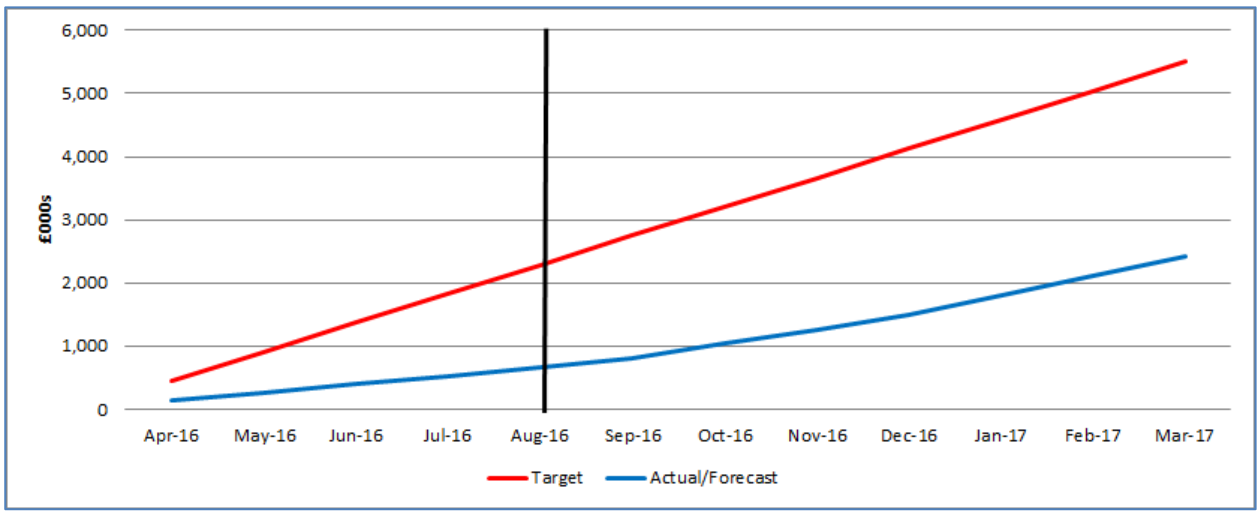
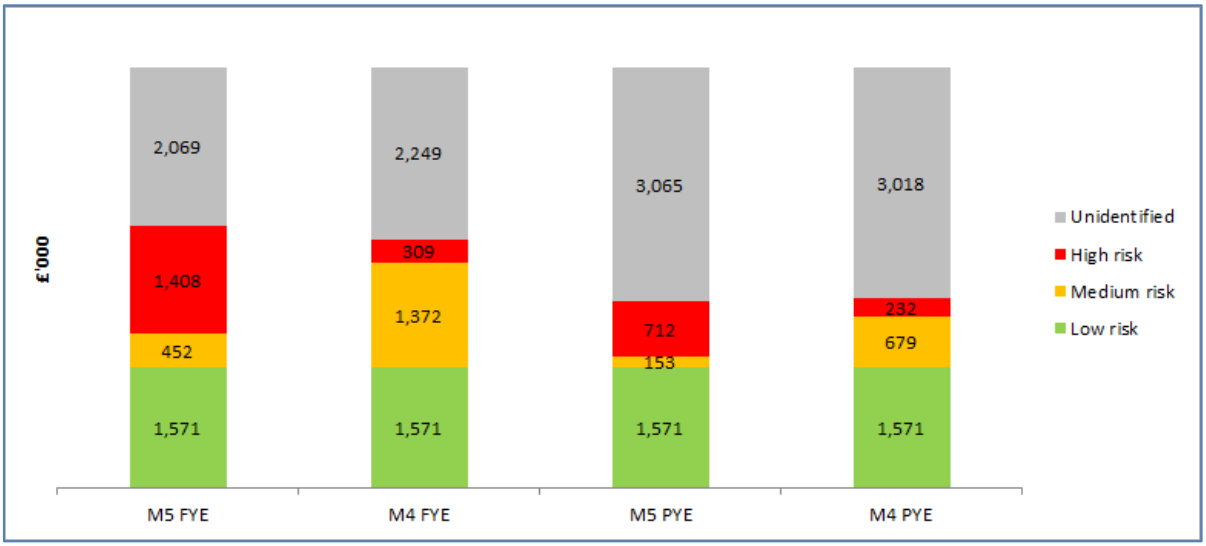


Figure 3: QIPP target financial delivery breakdown at month 5



2. Financial position analysis

2.1 Acute contracts

The YTD adverse variance across all acute contracts is £0.11m; forecast position is to increase the variance to plan to £0.34m. The adverse YTD performance issues relate to CMFT (£0.44m) and Salford Royal (£0.2m) offset by an under spend in Pennine acute (£0.84m) & Clinical triage services (£0.3m). Other key factors driving the over performance is within NWAS (£0.23m) and deflection schemes not delivering against plan (£0.37m).

Table 2 below outlines key variances across summary points of delivery based on Month 4 SLAM data pro rata to month 5, with highlights noted in the commentary below.

Table 2: Variance analysis (all NHS Acute providers) by summary point of delivery

	Variance (Favorable)/ Adverse £000's
A&E	118
Critical care	593
Elective (Including excess bed days)	(411)
Non-elective (Including excess bed days)	345
Other	(352)
Outpatient	27
Grand Total	320

(**Note:** *Table 2 represents the YTD variance with our core acute contracts; as such the £320k variance only represents the variance against those plans. The £113k in table 1 represents the YTD variance for all acute sections including planned care, ambulance services, NCA and CATs)*

Scheduled care activity (day cases, elective and outpatients) is under spending at month 5. Finance have received information from both Pennine acute and Central Manchester Foundation

trust to confirm they are still working to reduce RTT build up in T&O and gastro specialties. Financial adjustments to account for the delivery of RTT targets have been included within the forecast position.

Non elective & A&E activity is over spending at month 5. NWAS have released information for Month 4 showing an 8.5% increase in activity (12.7% in red responses) which supports an increase in A&E and NEL activity, which is causing a £0.09m increase in cost within A&E, and a cost of £0.78m in non-elective across all providers. It is therefore not clear the extent to which deflection schemes are performing, and is therefore being compounded by the increase in NWAS performance.

Critical care activity is over spending at month 5. This is an area which requires a high level of estimation. The first 4 months have seen a particularly high level of critical care patients at PAHT with three patients being above £50k in expenditure. Forecasts have been adjusted to bring projected levels of activity back to prior year levels.

Other activity is under spending at month 5 which is predominantly related to rehabilitation services following a clinical review in the latter part of 2015/16.

2.2 Summary of Non-Acute Contracts Financial Position

The YTD adverse variance across all non-acute contract of £0.22m is summarised in table 3 below together with the under spend anticipated at forecast outturn (adverse variance of £0.27m).

Table 3: Summary of non-acute contracts financial position at month 5

	YTD Budget £000s	YTD Actual £000s	YTD Variance £000s	Annual Budget £000s	Forecast Outturn £000s	Forecast Variance £000s
CHC	4,647	4,632	(14)	11,399	11,424	25
Community	10,577	10,589	12	25,408	25,399	(9)
Mental Health	10,305	10,408	102	25,032	25,117	85
Other	3,440	3,563	123	8,245	8,415	170
Total Other Healthcare	**28,969**	**29,192**	**223**	**70,083**	**70,354**	**271**

2.2.1 Continuing Health Care and Funded Nursing Care (CHC and FNC)

During month 5 a full review of the CHC and FNC database has been conducted with no issues to note. QIPP continues to be delivered. There are no key issues or risks to report at month 5.

2.2.2 Community Services

There is a small YTD adverse variance at month 5 of £0.012m and forecast under spend of £0.009m across Community Services. There are no key issues or risks to report at month 5.

2.2.3 Better Care Fund

The YTD position and forecast outturn for the Better Care Fund in the reported position currently reflects the full planned CCG contribution (£12.188m) to be paid to the Local Authority as host of the pooled fund. At this stage any potential scheme underspends are not reflected in the CCG position. Replacement schemes are currently being developed by the CCG which could utilise the current pooled fund under-spends relating to integrated locality team schemes.

2.2.4 Mental Health

The YTD adverse variance of £0.10m and the forecast overspend of £0.09m across Mental Health services is primarily driven by continued overspending on mental health placements and s117 costs. There are no key issues or risks to report at month 5.

2.2.5 Other

There are no key issues or risks to report at month 5.

2.3 Summary of Commissioning Primary Care Financial Position

The YTD favourable variance across all primary care commissioning of £0.52m summarised in table 4 below together with the under spend anticipated at forecast outturn (favourable variance of £0.65m).

Table 4: Summary of Primary Care Commissioning financial position at month 5

	YTD Budget £000s	YTD Actual £000s	YTD Variance £000s	Annual Budget £000s	Forecast Outturn £000s	Forecast Variance £000s
Central Drugs	381	350	(31)	926	858	(68)
Local Enhanced Services	796	787	(9)	2,231	2,220	(11)
Medicines Management - Clinical	148	143	(5)	355	340	(16)
Out of Hours	688	661	(27)	1,652	1,586	(66)
Home Oxygen	93	106	13	222	256	33
Prescribing	13,055	12,624	(431)	31,247	30,728	(519)
Primary Care Co-commissioning	10,696	10,669	(27)	25,141	25,141	-
Primary Care Total	**25,858**	**25,341**	**(517)**	**61,775**	**61,129**	**(646)**

2.3.1 Prescribing

The YTD position for Prescribing is based on 3 months confirmed activity and 2 months estimate based on PPA forecasted profiled spend. The forecast position is based on PPA forecasted spend and includes an additional expected cost to reflect the uptake of a Heart Failure Drug which costs are expected to materialise starting from next month. The QIPP target of £0.64m to be delivered across prescribing is being achieved at month 5.

2.3.2 Primary Care Co-Commissioning

Discussions with NHSE and GM CCG CFOs have outlined that central funding / risk share arrangements will be available this year to support pressures from the transfer of commissioning arrangements. Therefore, at month 5, we are forecasting a break-even position. Figures produced by the NHSE Finance team show an underlying forecast of £0.583m overspend prior to risk share adjustments. Following agreement at the CFO meeting on 20th September 2016 (following the Finance Committee) the non-recurrent funding to support this pressure has been confirmed at £510k, leaving a residual pressure of £73k. There has been confirmation that a 1% non-recurrent reserve is not required to be held for primary medical services and work is on-going to identify further mitigations.

Until the allocation for primary medical services for 2017/18 is released, the impact, if any, on the 2017/18 baseline is unknown.

3 Balance sheet

Two key targets that are monitored relating to the balance sheet as follows;

Better Payment Practice Code (BPPC) – monitoring of the timeliness of payments to suppliers. YTD the CCG has achieved this target (95%).

Cash held – YTD the CCG has achieved this target (maximum balance less than 1.25% of the monthly drawdown).

4 Recommendation

Governing Body is asked to note the contents of the report and the risks identified to the delivery of the financial position.